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Message Text

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45
ACTION EB-11

INFO OCT-01 EA-11 RSR-01 RSC-01 ADP-00 XMB-07 CIAE-00

INR-10 NSAE-00 TRSE-00 SS-15 L-03 NSC-10 /070 W
---------- 013089
P R 091039 Z MAY 73
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC PRIORITY 8525
USDOC WASHDC PRIORITY
INFO AMCONSUL HONG KONG

C O N F I D E N T I A L TAIPEI 2709

STATE PASS EXIM
HONG KONG PASS RAND EXIM

E. O. 11652: GDS
TAGS: BTRD, BFOL, ETEL, TW

SUBJECT: COMPETING BIDS ON TELEPHONE SWITCHING EQUIPMENT

1. DIRECTOR GENERAL OF TELECOMMUNICATIONS FANG
INFORMED ECONCOUNS THAT SUBJECT CONTRACT WOULD REQUIRE
RELATIVELY SMALL PURCHASES OF EQUIPMENT FROM ABROAD BUT
THAT SUBSTANTIAL AMOUNT OF FOREIGN COMPONENTS AND MATERIALS
WOULD BE INVOLVED. HOWEVER, GOVERNMENT HERE WILL PRESS
CONTRACTOR TO SOURCE AS MUCH LOCALLY AS POSSIBLE.
CLEAR IMPLICATION OF FANG' S STATEMENTS WAS THAT
FOREIGN PROCUREMENT MAY NOT REPRESENT BULK OF
$100 MILLION CONTRACT THOUGH HE COULD NOT ESTIMATE
LIKELY VALUE OF IMPORTS. DIRECTORATE OF COMMUNICATIONS
HAS ALREADY REACHED A PRELIMINARY AGREEMENT WITH ITT
AND IS RELUCTANT TO GO BACK ON THIS AGREEMENT. MATTER
IS NOW IN THE HANDS OF THE EXECUTIVE YUAN. FANG
SUGGESTS THAT SOLUTION MAY BE TO USE TWO SUPPLIERS
WHICH HE SAYS IS WHAT THE DIRECTORATE OF COMMUNICATIONS
WOULD PREFER PROVIDED EQUIPMENT AND COMPONENTS ARE
COMPATIBLE. (COMMENT: GTE REP CONTENDS ITS SYSTEM
IS NOT COMPATIBLE WITH ITT' S.)
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2. FANG REPORTS THAT WHILE 25 PERCENT OF THE EQUIPMENT COST UNDER THE ITT PROPOSAL WOULD BE REPRESENTED BY THE COMPUTER WHICH WOULD BE PURCHASED IN BELGIUM OR FRANCE MOST OF THE EQUIPMENT AND MATERIALS WOULD BE SOURCED UNDER THE ITT PROPOSAL ON A WORLD- WIDE BASIS. FANG REEMPHASIZED HOWEVER THAT GRC WOULD URGE AS MUCH LOCAL SOURCING AS POSSIBLE.

3. REGARDING THE GTE PROPOSAL FANG STATES THAT HE PRESUMES BULK OF MACHINERY AND COMPONENTS WOULD COME FROM THE US. GTE WOULD ALSO BE OBLIGED TO PROCURE AS MUCH FROM TAIWAN' S SUPPLIERS AS POSSIBLE.

4. SUGGEST DEPARTMENT QUERY GTE FURTHER TO ASCERTAIN, AS WE SUSPECT, WHETHER VOLUME OF PROCUREMENT FROM US, INCLUDING TECHNOLOGY AND SERVICES, OVER THE LIFE OF THE CONTRACT LIKELY TO BE SUBSTANTIALLY LESS THAN SUGGESTED BY SIZE OF THE CONTRACT ITSELF (I. E. $100 MILLION).

5. THERE APPEARS TO BE LITTLE QUESTION THAT IF GTE OBTAINED THE ENTIRE CONTRACT IT WOULD BE MORE BENE- FICIAL TO OUR BALANCE OF PAYMENTS THAN IF THE CONTRACT WERE WON BY ITT. IN VIEW OF CONTROVERSIAL ASPECTS, WE SHOULD BE CERTAIN WE CAN ESTABLISH THAT AMOUNT INVOLVED IS QUITE SUBSTANTIAL BEFORE WE DECIDE TO FAVOR ONE US COMPANY OVER ANOTHER. IF SUCH A POLICY IS ADOPTED, IT COULD CAUSE US DIFFICULTIES IN LESS CLEAR- CUT CASES.

6. IN SEPARATE CONVERSATION WALTER FEI, SECGEN OF THE EXECUTIVE YUAN TOLD ECONCOUNS THAT HIS GOVERNMENT IS HOLDING UP ANY ACTION ON THIS CONTRACT UNTIL IT HAS A BETTER VIEW OF THE USG POSITION.
MCCONAUGHY

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*** Current Handling Restrictions *** n/a
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